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SUBJECT: PRIME MINISTER'S VISIT TO VIETNAM

Ref: A) Hanoi 963 B) Tokyo 6249

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11. (SBU) Summary: Prime Minister Nguyen Tan Dung's recent trip to Japan was intended to reaffirm the two countries' friendship and cooperation in a highly visible manner. The PM's schedule included a full array of high-level events and meetings (Ref B). In addition to protocol-driven events, trade and investment were major themes of the visit, highlighted by the participation in the PM's delegation of both the ministers of Trade and Planning and Investment, along with heads of over 60 trade associations, leading enterprises, banks and industrial parks. The two sides agreed to begin official negotiations for a Japan-Vietnam Economic Partnership Agreement (JVEPA) in January 2007. PM Dung also committed to continue improving Vietnam's investment climate for foreign firms and to strengthen IPR enforcement. According to Japanese Embassy sources, Dung played hardball to force the Japanese to make vague commitments to huge infrastructure projects in return for Vietnam's tough statements on North Korea. End Summary.

Laying the Groundwork for Increased Trade and Development

12. (SBU) According to MFA First Asia Department Deputy Director Vu Huy Mung, the Vietnam-Japan relationship is solid and developing well. Japan is one of Vietnam's top trade partners and there is close cooperation on regional and international issues. Prime Minister Dung's trip had three objectives: 1) to reaffirm the policy of maintaining friendship and cooperation with Japan, while elevating relations to a new height; 2) to focus on economic, commercial and assistance ties; and, 3) to create a friendly relationship between the two new prime ministers.

13. (SBU) Key economic accomplishments, in Hanoi's eyes, were Japan's affirmation of continued Official Development Assistance (ODA) in coming years, focused primarily on infrastructure improvements and high technology, and a call for the implementation of the Japan-Vietnam Joint Initiative, intended to encourage a "new wave" of Japanese investment in high technology, oil and gas production and refining and nuclear power. PM Shinzo Abe promised special attention to three infrastructure projects involving North-South high-speed railways and expressways and a high-tech park. The announcement that the two sides will launch negotiations for a Japan-Vietnam Economic Partnership Agreement (JVEPA) in January 2007 is being touted as a significant development by the Vietnamese press and Vietnamese economic experts.

14. (SBU) Dr. Luu Ngoc Trinh, Vice Dean of the Institute for World Economics and Politics, noted that JVEPA would be a new form of cooperation between the two sides -- packaging cooperation on trade, ODA, investment, tourism, and science and technology. Such an agreement could play an integral role in reaching the goal included in the leaders' Joint Statement of nearly doubling two-way trade to USD 15 billion by 2010. As a sign of the GVN's commitment to reach this goal, PM Dung promised to continue improving the investment

climate for foreign firms and recognized the need to enforce intellectual property protection in speeches delivered during investment seminars in Tokyo and Osaka. Following last year's PMU-18 corruption scandal, in which Japanese ODA was alleged to have been misdirected by GVN officials, PM Dzong made pointed efforts to state his determination to fight corruption and continue economic reforms. Commercial agreements with a value of over USD 600 million were signed in the areas of electronics and textiles. The Japanese side took note of PM Dzong's proposal to create a Vietnam-Japan Joint Cooperation Committee at the ministerial level.

Regional Issues

15. (SBU) Concerning regional issues, the MFA's Mung said both sides agreed to support each other in regional and international forums, specifically in their respective aspirations for seats on the UN Security Council. Both sides also expressed opposition to the DPRK's nuclear test and called for DPRK restraint and a return to the six-party talks. In elevating the relationship to a "strategic partnership for peace and prosperity in Asia," Mung offered that the two sides had achieved an important result. (Note: Vietnam's only other "strategic partnership" is with Russia, declared in March 2001.) He further explained that the framework for this relationship has been in place since 2002 and the two countries have pursued a reliable partnership and long-term stability. In 2004, the two countries signed a joint statement about the new "strategic height" in their relations. So, while the relationship has until now contained a strategic element, it is now made more explicit, Mung explained.

Relations with Japan will be a GVN Priority

16. (SBU) Echoing Mung's official analysis, the Director General of the Vietnam Institute for Northeast Asian Studies, Dr. Ngo Xuan Binh, suggested that Vietnam wants close relations with Japan and

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that expanding the relationship will be a GVN priority in the future. According to Binh, there are no "difficult" bilateral issues in the Vietnam-Japan relationship. When asked how China might view PM Dzong's visit, he said the Chinese would be more "interested" in U.S.-Vietnamese interactions than they are about interactions between Vietnam and Japan. The warm reception that PM Dzong received -- including his address to the Diet -- was described by Binh as a "way of setting an example for Vietnam" so that when PM Abe comes to Vietnam, he will be able to speak before the National Assembly. Binh thought poorly of the economic impact of the trip, pointing to a total of only five relatively small projects signed. He agreed, however, that the various trade and investment-related meetings conducted by PM Dzong could result in long-term economic benefits.

Japan's Pragmatic Approach to Relations with Vietnam

17. (SBU) According to Japanese Embassy Political Counselor Satoshi Nakajima, negotiating the joint statement came down to the wire as PM Dzong's office insisted on including an explicit reference to the three huge infrastructure projects, even though the Vietnamese provided no details about the projects to the Japanese side. As leverage, the GVN held out on the language regarding the DPRK. In the end, the Japanese agreed to include mention of the projects, although it did so without a firm commitment to follow through. Concerning the negotiations on an economic partnership agreement scheduled to begin in January 2007, Nakajima said he had no idea what form the economic partnership might take, except that it would probably have a large official assistance component, since that is an area of bilateral economic relations that the GOJ controls. Since the actual amount of trade and investment is largely determined by private sector interest and decisions beyond the control of the GOJ, the trade volume target and calls for investment are viewed by the Japanese side as positive gestures without actual commitments. Likewise, Nakajima was vague on the substance of the "strategic partnership" with Vietnam, saying that the United States

is Japan's only real strategic partner.

18. (SBU) Nakajima continued that, while the two countries agreed to promote cooperation in the area of nuclear energy, the GVN did not want any reference in the joint statement to Japanese cooperation on a nuclear power plant, in effect keeping its options open to choose among potential suppliers. The reference to this issue in the joint statement is limited to laying the legal and administrative groundwork for cooperation on nuclear energy. Japan insisted on including references to the importance of the IAEA Additional Protocol, the Convention on the Physical Protection of Nuclear Material and the Convention on Nuclear Safety, all agreements that Vietnam has yet to sign.

Comment

19. (SBU) This trip was Prime Minister Nguyen Tan Dzung's first bilateral overseas trip since assuming office in June. His only other foreign visit, in September, was to the sixth Asia Europe Meeting Summit held in Helsinki. While the PM's visit to Japan seems short on concrete deliverables, from the GVN perspective it most likely achieved all its objectives, including creating the appearance of a stronger, more engaged relationship with a global and regional power.

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